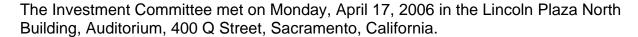


CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM BOARD OF ADMINISTRATION INVESTMENT COMMITTEE

MINUTES OF MEETING OPEN SESSION

April 17, 2006



The meeting was called to order at approximately 9:40 a.m. and the following members were present:

Charles Valdes, Chair
George Diehr, Vice Chair
Philip Angelides, represented by John Hiber
Marjorie Berte
Robert F. Carlson
Rob Feckner
Priya Mathur
Michael Navarro, represented by Debbie Endsley
Tony Oliveira
Mike Quevedo, Jr.
Kurato Shimada
Maeley Tom
Steve Westly, represented by Karen Greene Ross

AGENDA ITEM 2 – APPROVAL OF MARCH 2006 MEETING MINUTES

On **MOTION** by Ms. Berte, **SECONDED** and **CARRIED** that the March 13, 2006 Open Session minutes be approved as presented.

RECOGNITION

At this point Mike McCook was acknowledged for his many accomplishments over the past five years as the Senior Investment Officer for the Real Estate Program. Anne Stausboll, Interim Chief Investment Officer, and Chairman Valdes highlighted his CalPERS career, recognized his dedication and distinctive service, and wished him all the best in his new endeavors.

AGENDA ITEM 3a – REAL ESTATE, Environmental Initiative Update

Mike McCook, Senior Investment Officer, Al Fernandez, Senior Portfolio Manager, Jose McNeill, Portfolio Manager, and Dilo Seneviratne, Investment Officer, presented the item.

In 2004, the Committee approved an Energy Efficiency Plan for a proposed 20% energy reduction in the real estate core portfolio over a five-year period. Staff reviewed the first annual report regarding the Real Estate Core Portfolio environmental program goals, as well as additional related efforts by staff and Core and Non Core partners. Staff presented the following recommended steps:

- Continue to monitor energy usage to measure annual savings in energy consumption for the Core portfolio, while modifying the database to make the datagathering process more efficient. Work with Core partners to increase the number of reportable properties within their portfolios in the coming year.
- 2. Develop and implement a Real Estate Green Policy.
- 3. Continue to educate investment partners in terms of CalPERS' interest in the area of Green building/environment.
- 4. Continue to review new investment programs that place an emphasis on environmental/green investments, where economically feasible.
- 5. Continue to encourage investment partners to join the LEEDS/Energy Star programs.

There was discussion regarding policy development, data collection methodology and reporting, possible use of outside consultants, and technology cost-benefit analysis.

On **MOTION** by Mr. Carlson, **SECONDED** and **CARRIED** to approve staff's recommendations.

AGENDA ITEM 4a – ALTERNATIVE INVESTMENT MANAGEMENT (AIM) PROGRAM, AIM Spring-Fed Pool RFP – Consultant Selections

Leon Shahinian, Senior Investment Officer, and David Merwin, Investment Officer, presented the item. Allen Emkin and Mike Moy, Pension Consulting Alliance, were available to respond to questions from the Committee.

Staff provided an update regarding the status of existing contracts for the AIM spring-fed pool and the current RFP process. Twenty-two proposals were received and scored and staff announced the selection of 13 firms to join the AIM spring-fed pool, subject to successful contract negotiations. It is anticipated that the new pool of consultants will be in place by June 30, 2006.

The Committee accepted the information report.

AGENDA ITEM 4b – ALTERNATIVE INVESTMENT MANAGEMENT (AIM) PROGRAM, AIM Delegated Authority

Leon Shahinian, Senior Investment Officer, presented the item. Allen Emkin and Mike Moy, Pension Consulting Alliance, were available to respond to questions from the Committee.

The AIM Program Strategic Review completed in 2005 recommended enhancements to the AIM Unit's delegated authority for the approval of co-investments and new vehicles. Staff reviewed proposed changes to the Delegation Resolution that would facilitate investments designed to improve the AIM Program's responsiveness to the market and enable AIM to commit to the best managers.

There was discussion regarding the timing for this action and proposed discussion of policies and delegations at the July Board off-site meeting.

On **MOTION** by Ms. Mathur and **SECONDED** to defer this item to August or September after the Committee has had the opportunity to discuss delegations in general.

YES NO ABSTAINED

Diehr Berte
Endsley Carlson
Feckner Greene Ross

Mathur Hiber
Quevedo Oliveira
Tom Shimada
Valdes

The motion **FAILED**.

On **MOTION** by Mr. Shimada, **SECONDED** and **CARRIED** to approve changes to Delegation Resolution No. 00-02-BD, Chief Executive Officer and Professional Staff – Alternative Investments, as included in the agenda item. The changes will increase delegated authority levels to staff for co-investing and new vehicles.

YES NO ABSTAINED

Berte Diehr
Carlson Feckner
Endsley Mathur
Greene Ross Quevedo
Hiber Tom

Oliveira Shimada Valdes

AGENDA ITEM 5a – GLOBAL EQUITY, Permissible Equity Market Investment Analysis – Final Recommendation

Roz Hewsenian, Wilshire Associates, reported that, per the Permissible Equity Policy for Emerging Equity Markets, the exposure draft was issued on January 31, 2006, remonstrations were received and considered in March, and the final report was presented for Committee action.

On **MOTION** by Ms. Berte, **SECONDED** and **CARRIED** to adopt the April 2006 Permissible Equity Market Investment Analysis prepared by Wilshire Associates.

The permissible markets meeting the 2.00 score threshold are:

Argentina Israel South Africa
Brazil Jordan South Korea
Chile Malaysia Taiwan
Czech Republic Mexico Thailand
Hungary Peru Turkey

India Philippines Indonesia Poland

AGENDA ITEM 5b – GLOBAL EQUITY, Corporate Governance Internal Staff Working Group

Christy Wood, Senior Investment Officer, Dennis Johnson, Senior Portfolio Manager, provided an update regarding:

- Financial Accounting Standards Board (FASB) User Advisory Council CalPERS has been invited to be a member of this group. Staff provided an overview of topics discussed at a recent meeting regarding:
 - Accounting for post-retirement benefits
 - Convergence of financial reporting between the International Accounting Standards Board and FASB
 - Fair value measurement for derivatives
- 2. Pending SEC Matters Executive Compensation and Sarbanes Oxley, section 404 Recently CalPERS' comment letters were sent to the SEC regarding these issues.

The Committee accepted the information report.

AGENDA ITEM 6 – GLOBAL FIXED INCOME

There were no items to report.

AGENDA ITEM 7a – SUPPLEMENTAL SAVINGS PROGRAMS, Extension to Contract with CitiStreet for Third Party Administration

Dave Mullins, Supplemental Savings Programs Chief, reported that the CitiStreet contract will expire in June 2006 and provided rationale for a six-month contract extension to accommodate a transition, if necessary as a result of the Competitive Negotiation Solicitation/RFP, to a new third party administrator.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** to approve amendment of the CitiStreet contract to extend services for six months to facilitate negotiations and cover the transition and conversion of the plans to new recordkeeping, custody, and investment platform.

RECOGNITION

At this point Dave Mullins was acknowledged for a very distinguished 33-year state service career and 22 years with CalPERS. Most recently he served as the Chief of the Supplemental Savings Programs Division. Anne Stausboll, Interim Chief Investment Officer, and Chairman Valdes highlighted his career, recognized his dedication and distinctive service, and wished him all the best in his retirement.

AGENDA ITEM 8a – TOTAL FUND, Report on Companies Sanctioned by U.S. Government Activities in Iran

Anne Stausboll, Interim Chief Investment Officer, presented the item. In response to a letter from the State Controller regarding identification of holdings in companies that violate the Iran Nonproliferation Act of 2000 and Iran-Libya Sanctions Act of 2001, staff provided the following information:

- CalPERS does not have holdings in companies that have been sanctioned by the State Department since passage of the Iran Nonproliferation Act in 2000.
- CalPERS does not have holdings in companies sanctioned under the Iran-Libya Sanctions Act of 2001, based on the State Department's most recent disclosure, dated April 19, 2005.

The Committee accepted the information report.

AGENDA ITEM 8b – TOTAL FUND, Selection of Consultants – Investment Opportunities through Diversity (Spring-Fed Pool)

Anne Stausboll, Interim Chief Investment Officer, provided an update regarding consultant selection for the spring-fed pool.

The selection process began in January 2006 with the release of a RFP for consultant services to identify experts on diversity in the investment industry. A cross-functional team comprised of Investment Office staff, the CalPERS Diversity Coordinator, and

Wilshire Associates Inc. was established to review proposals. Based on this review the following firms were recommended for inclusion in the spring-fed pool:

- Across-the-board services: Altura Capital Advisors, Ivy Planning Group, and Mosaic Investment Advisors
- Event planning services: RG & Associates

On **MOTION** by Mr. Feckner, **SECONDED** and **CARRIED** to approve the selection of the four firms for the spring-fed pool, subject to successful contract negotiations

AGENDA ITEM 9a – CHIEF INVESTMENT OFFICER'S / ASSISTANT EXECUTIVE OFFICER'S REPORT, Consolidated Investment Activity Report

Anne Stausboll, Interim Chief Investment Officer, presented the item.

The Committee accepted the Consolidated Investment Activity Report. The total market value of the fund as of February 28, 2006, was approximately \$207.1 billion and the total book value was approximately \$160.8 billion.

AGENDA ITEM 10 – DRAFT MAY 2006 AGENDA

The Committee accepted the proposed May 15, 2006 agenda.

At this point Maeley Tom stated "that out of an abundance of caution and consistent with state law conflict rules, I will recuse myself from Investment Committee Closed Session Agenda Item 5a [Corporate Governance 2006 Final Focus List] because of a conflict of interest under Government Code Section 87100."

AGENDA ITEM 11 – PUBLIC COMMENT

There were no additional comments from the public.

The meeting was adjourned at 10:40 a.m.

The next meeting of the Committee is scheduled for May 15, 2006 in Sacramento, California.

FRED BUENROSTRO
Chief Executive Officer